

Email to:

RIIOED2@ofgem.gov.uk

25 August 2022

Dear RIIO-ED2 Team,

RIIO-ED2 Draft Determinations

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change. Our members work across all renewable energy technologies in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables welcomes the opportunity to provide our view on the RIIO-ED2 Draft Determinations. In general, we are concerned that the current proposal puts the speed of connections required for low carbon generation at risk, which is essential to meet our net-zero carbon commitments. The electrification of heat and transport will increase the demand for clean electricity, and significant progress will be needed to reach our net-zero targets.

In summary, we would like to draw your attention to the following points:

1. Scenario development

We note that Ofgem is using the system transformation scenario from the Future Energy Scenarios (FES) 2021 as data input, which misses the Sixth Carbon Budget by a small margin and ignores the fact that devolved governments have different net-zero targets. Scotland has the target to achieve net-zero 5 years ahead of the UK Government, and to achieve the level of electrification required to meet this target, significant increases in grid availability, flexibility, and innovation need to be made. If the scenario used to estimate the budget is not considering reaching net-zero as a minimum objective, we will not have the infrastructure required to meet the Scottish Government targets.

We would recommend that Ofgem review the baseline scenario used to estimate the budget for this price control and adjust it to at least meet devolved government net-zero targets. DNOs such as SSEN and SPEN both have distribution scenario analyses that are not even close to the baseline scenario used by Ofgem.

In our engagement with DNOs last year, we noted that DNOs, such as SSEN and SPEN, had plans that would not increase consumers' bills. Therefore, we believe that if the current budget reduction

affects our net-zero goals, which will also negatively impact consumers who could benefit from reliable and sustainable grid infrastructure, it is questionable to put our carbon reduction commitments at risk.

Achieving net-zero targets in Scotland means there will be a significant uptake in various new forms of low carbon technologies at a distribution level. In addition, we will be required to produce much of our centralised generation from a significant increase in wind generation (ScotWind 25GW). The transmission and distribution networks are vital to achieving net-zero, so grid investments must be made in both.

2. Scottish Islands

We welcome Ofgem allowing a Hebrides and Orkney re-opener within SSEN Distribution's business plan for RIIO-ED2, but we are concerned that Ofgem has reduced subsea cable baseline allowances for Scottish islands by ~26%.

We would like to highlight that it is essential to maintain network reliability and security of supply to homes and businesses across the islands. Recent storms have already caused damage to the network on the isles resulting in the cut of power to thousands of homes. It is essential that these communities benefit from a reliable network, and we would like to see that reflected in the budget allocated for the network in these areas.

Overall, it is our view that:

- Investment decisions today can help unlock the potential of our Scottish islands. As the voice of Scotland's renewable energy industry, it's critical that we work hand-in-hand to help facilitate the net-zero ambitions of our island communities, and Ofgem's proposed determination could directly hinder the progress required.
- We are also supportive of SSEN's investment plan to proactively replace subsea cables. These are critical links for exporting renewable generation from our islands and maintaining the security of supply for local homes and businesses. We are therefore concerned by Ofgem's failure to approve funding for this targeted approach. Delaying proactive replacements during this five-year period will only increase the chances of cables faulting in the future, resulting in more delays, increased costs for consumers and constraints for embedded generators connected at a distribution level.
- We would encourage Ofgem to think again about the 'fix-on-fail' Uncertainty Mechanism for subsea cables. Unforeseen subsea cable failures can significantly impact renewable generators and the wider community by curtailing critical income often used to support essential services and charitable organisations. An agile regulatory framework is required to enable network operators to restore subsea cable supplies quickly and cost-effectively.

3. Funding Programmes

We note that funds such as SPEN proposed Net Zero fund was rejected by Ofgem. These funds allow the development of low carbon projects, with 25% corresponding to community projects which would not have the chance to fund projects otherwise. We believe these funds are important as there is no other route to funding these projects which stimulate local economies and communities.

4. Cost-effective and timely connections of new generation

We would note that currently, network connection timescales are making the case very difficult for low carbon generation to connect to the grid. This has been an ongoing issue and will become a major barrier to the deployment of low-carbon projects without intervention.

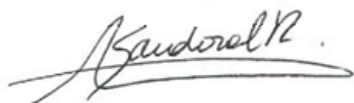
In this context, we welcome the announcement of the 'Electricity Networks Strategic Framework'¹ which states that:

- *Ofgem will almost double investment to upgrade the local electricity grids at distribution and ensure sufficient capacity to support new demands,*
- *Ofgem is putting in place a package of measures to reduce network connection timescales.*

However, the investments proposed in the current RII0-ED2 Draft Determinations fall short to achieve the UK's legal net-zero goals. The next price control needs to be supported by enough grid investment at a distribution level so that enough grid availability can be provided by DNOs.

We would encourage Ofgem to review the level of investment proposed in the current draft determinations and make sure that this is enough to enable the speedy connection of low carbon generation technologies such as renewables, heat pumps, and EVs, in line with our energy goals.

Yours sincerely,



Angeles Sandoval
Policy Manager | Grid & Systems

¹ [Electricity Networks Strategic Framework: Enabling a secure, net zero energy system \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)